**PUBLIC DISCLOSURE**

**January 21, 2015**

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**DEDHAM INSTITUTION FOR SAVINGS**

**Certificate # 23620**

**55 ELM STREET**
**DEDHAM, MASSACHUSETTS 02026**


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|---|---|
| **Division of Banks** | **Federal Deposit Insurance Corporation** |
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Dedham Institution for Savings (the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **January 21, 2015.** The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division’s regulation 209 CMR 46.00. The FDIC rates the CRA performance consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC’s Rules and Regulations.

**INSTITUTION'S CRA RATING:** **This institution is rated "Satisfactory."**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

**Lending Test**

The institution is rated **"Satisfactory"** under the Lending Test. This rating is supported by the following summary of results:

***Loan-to-Deposit Ratio***
The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and AA credit needs.

***Assessment Area Concentration***
The majority of the Bank's home mortgage and small business loans were in the institution's AA.

***Geographic Distribution***
The geographic distribution of loans reflects poor dispersion throughout the AA.

***Borrower Characteristics***
The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes.

***Response to Complaints***
The Bank did not receive any CRA-related complaints during the evaluation period.

**Community Development Test:**

The institution is rated **"High Satisfactory"** by the Division and **"Satisfactory"** by the FDIC under the Lending Test. This rating is supported by the following summary of results:

The institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. The evaluation considered the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## SCOPE OF THE EXAMINATION

This evaluation assessed the Bank's CRA performance utilizing the Interagency Intermediate Small Bank (ISB) examination procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test analyzes an institution's qualified community development activities, including loans, investments, and services.

The Bank is primarily a real estate secured lender. The September 30, 2014 Consolidated Report of Condition (Call Report) shows that 98.4 percent of the portfolio is real estate secured. Management stated the Bank's primary business focus is home mortgage lending; however, the Bank is starting to pursue commercial credit needs as a secondary credit focus. The Bank also focuses on the community's various credit needs by offering a wide array of loan products and services.

The Lending Test focused on the Bank's home mortgage and small business lending. Since consumer loans represent a small percentage of the loan portfolio and the Bank does not offer agricultural loans, the evaluation did not review those loan types. For home mortgage lending, the evaluation considered home loans originated or purchased by the Bank during 2012, 2013, and the first three quarters of 2014. The home mortgage lending data was derived from the Bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs), which contain data about the Bank's home purchase and home improvement loans, including refinances, of one- to four-family and multifamily (five or more units) properties. For small business loans, the evaluation considered outstanding small business loans that the Bank originated or renewed in 2013. Information concerning the small business loans was derived from sampling and bank records, as the Bank is not required to report small business loan data as an ISB. The small business loans include commercial real estate and commercial/industrial loans with original balances of $1 million or less. The evaluation gave more weight to the Bank's home mortgage lending based upon the loan portfolio composition and management's stated business focus.

For evaluation purposes, the Bank's home mortgage lending was compared to 2012 and 2013 aggregate HMDA data and to 2010 U.S. Census data. The evaluation compared the Bank's small business lending to 2013 Dun &Bradstreet (D&B) demographic data.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the Bank's lending performance by the number of loans originated or purchased. The number of loans correlates more closely with the number of individuals or businesses that obtained loans. Furthermore, extremely large or small dollar loans could skew conclusions. In addition, although the evaluation analyzed HMDA data for the first three quarters of 2014 (YTD 2014), Table 5 (Geographic Distribution) and Table 7 (Borrower Distribution) present data for 2012 and 2013 only, as these represent complete calendar years. Additionally, the distribution of HMDA loans in YTD 2014 was comparable to the prior two years.

The Community Development Test considered the number and dollar amount of qualified community development loans, investments, and services since the prior CRA evaluation dated June 20, 2011. The Bank does not have any affiliates to be considered for CRA purposes.

## PERFORMANCE CONTEXT

### Description of Institution

Dedham Institution for Savings is a state-chartered mutual savings bank founded in 1891. The Bank's administrative headquarters and main banking office are located at 55 Elm Street in Dedham, Massachusetts. The Bank has no holding company, but does operate three wholly owned subsidiaries and a charitable foundation, none of which offers any products or services to the general public. The Division and the FDIC assigned a "Satisfactory" rating for the prior CRA evaluation dated June 20, 2011, using ISB procedures. The evaluation did not detect any financial, legal, or other impediments that might inhibit the Bank's ability to meet the credit needs of its AA.

In addition to its main office, the Bank operates 11 full service branch offices in the following communities: Bedford, Canton, Dedham (3), Needham, Norwood, Sharon, Walpole (2), and Westwood, Massachusetts. Three of the 12 offices are located in middle-income census tracts and the remaining 9 are located in upper-income census tracts. Four branch offices are located in retirement communities. These four offices have limited hours of operation and are available only to the residents and employees of the development. All branches, except those in the four retirement communities, are equipped with 24-hour automated teller machines (ATMs). Five of the branches available to the public also have drive-up facilities. Since the last CRA evaluation, the Bank opened a full-service branch office in a retirement community in Bedford, Massachusetts. The Bank did not close any office locations during the evaluation period.

The Bank offers a wide array of deposit products to meet consumer and business banking needs including checking, interest-bearing checking, rewards checking, savings, money market savings, certificate of deposit, and individual retirement accounts. Customers also have access to telephone banking, Internet banking, bill pay, and mobile banking.

Loan products accommodate a wide range of home mortgage, commercial, and consumer purposes. Typical loan products include: residential mortgage loans for 1-4 dwelling units, home equity loans and lines of credit, home improvement loans, community development loans, commercial real estate loans, commercial/industrial loans, small business loans and lines of credit, collateral loans, automobile loans, and CheckProtec overdraft.

In addition to conventional lending, the Bank offers and originates guaranteed loan products that include U.S. Small Business Administration (SBA), Municipal Loan Program (Town, State and Hospital Employee), MassHousing Loan Program (First Time Home Buyer program and Home for the Brave mortgage program for veterans), and Massachusetts Housing Partnership (ONE Mortgage Program). The Bank also offers loans through the Federal Home Loan Bank of Boston's Equity Builder Program (EBP). The EBP provides grant money for down payment and closing costs associated with obtaining a mortgage loan. Additionally, the Bank offers a CRA designated loan program called Neighborhood Plus, which is aimed at LMI borrowers and census tracts. The Neighborhood Plus program offers low down payment options, low closing costs, and flexible qualifying requirements.

The September 30, 2014, Call Report data reflects total assets of $1.255 billion, total loans of $918.2 million, and total deposits of $964.8 million. Total assets increased by approximately 16 percent, total loans increased by approximately 25 percent, and total deposits increased by approximately 4 percent since June 30, 2011. Overall, the loan portfolio composition stayed relatively similar; however, the dollar amount of home mortgage and commercial loans significantly increased since the previous CRA evaluation. The breakdown of the Bank's loan portfolio is detailed in Table 1.

| *Table # 1 - Loan Portfolio Distribution as of 09-30-2014* | | |
|---|---|---|
| **Loan Category** | **Dollar Amount $('000s)** | **Percent of Total Loans (%)** |
| Construction, Land Development, and Other Land Loans | 88,516 | 9.6 |
| Secured by 1-4 Family Residential Properties | 605,105 | 65.9 |
| Secured by Multi-Family (5 or more) Residential Properties | 54,633 | 6.0 |
| Secured by Non-farm Non-residential Properties | 154,980 | 16.9 |
| Commercial and Industrial Loans | 13,325 | 1.5 |
| Consumer | 1,648 | 0.1 |
| Gross Loans | 918,207 | 100.0 |
| Less: Unearned Income | 0 | 0.0 |
| **Total Loans and Leases** | **918,207** | **100.0** |

*Source: Report of Condition (Call Report).*

The Bank conducts quarterly CRA self-assessments that are comprehensive, detailed, and descriptive of the Bank's CRA performance. The comprehensive self-assessments of CRA lending and community development activity highlight the Bank's commitment to CRA.

## Description of Assessment Area

The CRA requires financial institutions to define an AA within which its CRA performance will be evaluated. The AA as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude LMI areas.

### *Geographies*

The Bank has defined its AA to include 54 cities and towns encompassing much of eastern Massachusetts, as well as sections of the City of Boston. The following are the communities comprising the Bank's AA by Metropolitan Statistical Area (MSA) and county in which they are located.

- **Boston-Cambridge-Quincy, MA-NH MSA (includes portions of the Boston-Quincy, MA Metropolitan District (MD) and the Cambridge-Newton-Framingham, MA MD):**

  ***Norfolk County, Massachusetts*** – Avon, Bellingham, Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Foxboro, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham.

***Plymouth County, Massachusetts*** – Brockton and Hingham.

***Suffolk County, Massachusetts*** – The City of Boston neighborhoods of: Dorchester, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, and West Roxbury.

***Middlesex County, Massachusetts*** – Ashland, Bedford, Concord, Framingham, Holliston, Lexington, Lincoln, Natick, Newton, Sherborn, Sudbury, Waltham, Wayland, and Weston.

- **Providence-New Bedford-Fall River, RI-MA MSA:**

***Bristol County, Massachusetts*** – Attleboro, Mansfield, and North Attleboro.

The Boston-Cambridge-Quincy, MA-NH MSA and the Providence-New Bedford-Fall River, RI-MA MSA are both located within the Boston-Worcester-Manchester, MA-RI-NH Combined Statistical Area.

### *Assessment Area Changes*

Since the previous evaluation, the Bank removed 14 towns from its AA: Abington, Bridgewater, Duxbury, East Bridgewater, Easton, Hanover, Hanson, Marshfield, Norwell, Pembroke, Rockland, Scituate, West Bridgewater, and Whitman. In addition, the Bank added the following four towns to its AA: Bedford, Cohasset, Concord, and Lexington.

### *Demographic Data*

Refer to Table 2 for AA demographic information.

| ***Table # 2 – Assessment Area Demographic Information*** | | | | | | |
|---|---|---|---|---|---|---|
| **Demographic Characteristics** | **#** | **Low % of #** | **Moderate % of #** | **Middle % of #** | **Upper % of #** | **N/A % of #** |
| Geographies (Census Tracts) | 342 | 9.9 | 19.1 | 33.0 | 36.8 | 1.2 |
| Population by Geography | 1,601,648 | 7.9 | 15.7 | 33.2 | 43.1 | 0.1 |
| Owner-Occupied Housing by Geography | 380,150 | 2.6 | 11.4 | 37.7 | 48.3 | 0.0 |
| Businesses by Geography (2013) | 144,437 | 4.2 | 12.1 | 35.6 | 48.0 | 0.1 |
| Family Distribution by Income Level | 390,745 | 20.8 | 15.3 | 19.2 | 44.7 | 0.0 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 140,852 | 15.6 | 24.4 | 36.1 | 23.9 | 0.0 |
| 2014 FFIEC Adjusted Median Family Income (MFI):<br>Boston-Quincy, MA MD<br>Cambridge-Newton-Framingham, MA MD<br>Providence-New Bedford-Fall River, RI-MA MSA | | <br>$87,000<br>$93,300<br>$72,000 | Median Housing Value<br>Unemployment Rate<br>Families Below Poverty Level<br>Households Below Poverty Level | | | $676,877<br>5.0%<br>6.9%<br>10.2% |

*Source: 2010 U.S. Census data, 2013 D&B data, and 2014 FFIEC estimated MFI.*

### *Census Tract Income Levels*

The *Geographic Distribution* section of the Lending Test evaluates the distribution of loans by census tract income level, especially in those areas designated as LMI. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI
Moderate-Income: At least 50 percent but less than 80 percent of MFI
Middle-Income: At Least 80 percent but less than 120 percent of MFI
Upper-Income: 120 percent or greater of MFI

The Bank's AA is comprised of 342 contiguous census tracts. There are 34 low-income, 65 moderate-income, 113 middle-income, and 126 upper-income tracts. There are four census tracts with no income designation.

***Median Family Income Levels***

The home mortgage loan analysis under the *Borrower Characteristics* section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2010 U.S. Census that has been annually adjusted by the FFIEC for inflation and other economic events. The estimated 2014 MFI figures for the Boston-Quincy, MA MD #14484; the Cambridge-Newton-Framingham, MA MD #15764; and Providence-New Bedford-Fall River, RI-MA MSA #39300 are listed in Table 2.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of AA families by income level. Table 2 reveals that upper-income families have the highest representation by far of all income categories, at 44.7 percent. The second largest group in the AA is low-income families, which represent 20.8 percent of all families. Low-income families below the poverty level, a subset of this income designation, represent 33.2 percent of this group. Given the high percentage of low-income families below the poverty level, lending opportunities to low-income families are limited.

***Housing Characteristics***

Table 2 also illustrates the distribution of owner-occupied housing units by census tract income level. Table 2 shows that owner-occupied housing units in the AA are heavily concentrated in the middle- and upper-income census tracts. Only 14.0 percent of total owner-occupied units are in the LMI tracts. This limits opportunities to make home mortgage loans in either of these census tract categories.

***Unemployment Data***

State unemployment rates were obtained from the Bureau of Labor Statistics. As of December 2014, the Massachusetts unemployment rate is 5.5 percent. County unemployment rates were obtained from the Executive Office of Labor and Workforce Development and are as of December 2014. Most counties in the assessment area have lower unemployment rates than the state average, including Plymouth County (4.9 percent), Norfolk County (3.9 percent), Suffolk County (4.6 percent) and Middlesex County (3.7 percent). Bristol County has a higher unemployment rate than the state average at 6.5 percent.

### *Business Demographic Data*

Business demographic data obtained from D&B for 2013 shows there are 144,437 businesses in the AA, of which 72.3 percent have gross annual revenues (GARs) of $1 million or less, 5.3 percent have GARs greater than $1 million, and the remaining 22.4 percent have unknown revenues. Of the total businesses in the AA, 4.2 percent are in low-income census tracts, 12.1 percent are in moderate-income tracts, 35.6 percent are in middle-income tracts, 48.0 percent are in upper-income tracts, and 0.1 percent are in census tracts with no reported income.

The AA has 48.1 percent of its businesses engaged in the service industry. Businesses involved in retail trade represent 10.8 percent. Businesses involved in finance, insurance, and real estate represent 8.7 percent. In terms of employees, approximately 65.5 percent of the area's businesses employ four or fewer people.

### *Competition*

There is strong competition from other financial institutions that originate loans within the AA. The 2013 HMDA Market Share report indicates that the Bank is ranked 31 out of 542 lenders originating HMDA reportable home loans in the AA. Those institutions that ranked higher than the Bank included community banks, savings banks, mortgage companies, and large national banks. Among the more prominent lenders competing in the Bank's AA are Wells Fargo Bank, N.A.; Bank of America, N.A.; and JPMorgan Chase Bank, N.A.

### *Community Contact*

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. Information provided by one such contact was referenced in preparing this evaluation. Specifically, an interview was conducted with a community contact that serves the Bank's AA. This organization provides quality and affordable housing to LMI families.

The contact indicated the need for flexible lending products and affordable owner-occupied housing units. Overall, the contact noted banks in the AA could be more responsive to the credit needs of the community and can participate with this organization in its financing initiatives and community programs.

### *Credit and Community Development Needs and Opportunities*

Based on information obtained from the community contact and Bank management, as well as demographic and economic data, the credit and community development needs of the Bank's assessment area are similar to those of many other metropolitan areas. The assessment area needs additional affordable owner-occupied housing. Retail customers need flexible home financing programs for the purchase, construction, improvement, or refinance of residential real estate. The area's business base also requires a variety of commercial credit options, including small business loans for the area's numerous small business establishments.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

## LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTD Ratio, AA Concentration, Geographic Distribution, Borrower Characteristics, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is rated "Satisfactory." The Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the AA.

### Loan to Deposit Ratio

The LTD ratio criterion evaluates the percentage of the Bank's deposit base reinvested in the form of loans. The Bank's net LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The Bank's average net LTD ratio over the 14 quarters since the previous CRA evaluation was 84.9 percent. The Bank's net LTD ratio as of September 30, 2014, was 94.6 percent.

Growth patterns of loans and deposits were also analyzed to assess changes in the net LTD ratio over the course of the review period. Net loans (total loans net of unearned income and allowance for loan losses) increased steadily during the review period. Overall, net loans increased by 25.3 percent over the last 14 quarters, whereas total deposits increased by 3.9 percent. As loan growth far exceeded deposit growth, the net LTD ratio increased during this period.

Further analysis was conducted to compare the Bank with similarly situated institutions, which were selected based on total assets, loan portfolio composition, and geographic location. Based on these factors, there were four institutions considered similarly situated. Net LTD ratios for the similarly situated banks range from a low of 54.0 percent to a high of 116.7 percent. Table 3 illustrates the average and current net LTD ratios for the Bank and the four similarly situated institutions.

***Table # 3 - Loan-to-Deposit Ratio Comparison***

| Bank | City, State | Total Assets $ (000s) | Net LTD Ratio 09-30-2014 | Avg. Net LTD Ratio 14 Quarters |
|---|---|---|---|---|
| Belmont Savings Bank | Belmont, MA | 1,335 | 116.7 | 105.2 |
| Avidia Bank | Hudson, MA | 1,171 | 109.0 | 98.3 |
| BayCoast Bank | Fall River, MA | 1,060 | 93.4 | 87.6 |
| **Dedham Institution for Savings** | **Dedham, MA** | **1,255** | **94.6** | **84.9** |
| Watertown Savings Bank | Watertown, MA | 1,100 | 54.0 | 55.6 |

*Source: Reports of Condition (Call Report) quarters ending 06-30-11 through 09-30-14.*

### Assessment Area Concentration

The Bank's performance for this criterion is evaluated based on the number and dollar amount of home mortgage and small business lending that occurred within the AA. Overall, the majority of home mortgage and small business loans by number and dollar volume were originated inside the AA reflecting good commitment to meeting the credit needs of the community. Table 4 details the distribution of loans inside and outside of the AA by number and dollar volume.

| Table # 4 - Distribution of Loans Inside and Outside the AA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Loan Category** | **Number of Loans** | | | | | **Dollar Volume of Loans** | | | | |
| | **Inside** | | **Outside** | | **Total** | **Inside** | | **Outside** | | **Total** |
| | **#** | **%** | **#** | **%** | **#** | **$ (000s)** | **%** | **$ (000s)** | **%** | **$ (000s)** |
| Home Mortgage | | | | | | | | | | |
| 2012 | 581 | 81.8 | 129 | 18.2 | 710 | 201,403 | 74.1 | 70,309 | 25.9 | 271,712 |
| 2013 | 502 | 79.9 | 126 | 20.1 | 628 | 216,709 | 77.7 | 62,185 | 22.3 | 278,894 |
| YTD 2014 | 198 | 76.4 | 61 | 23.6 | 259 | 89,903 | 72.5 | 34,032 | 27.5 | 123,935 |
| Total Home Mortgage | **1,281** | **80.2** | **316** | **19.8** | **1,597** | **508,015** | **75.3** | **166,526** | **24.7** | **674,541** |
| Small Business | **42** | **79.2** | **11** | **20.8** | **53** | **17,546** | **77.1** | **5,225** | **22.9** | **22,771** |

*Source: 2012, 2013, and YTD 2014 HMDA LARs & bank data.*

Home Mortgage Lending

Of the 1,597 home mortgage loans originated during the review period, 80.2 percent by number and 75.3 percent by dollar volume were extended within the AA.

Small Business Lending

Of the 53 small business loans originated or renewed between January 1 and December 31, 2013, 79.2 percent by number and 77.1 percent by dollar volume were extended within the AA.

**Geographic Distribution**

Overall, the geographic distribution of home mortgage loans and small business loans reflects poor dispersion throughout the AA. This conclusion was primarily based on the Bank's distribution of loans in LMI census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of the Bank's home mortgage loans reflects poor dispersion throughout the AA. Table 5 presents the Bank's home mortgage lending performance by number of loans in 2012 and 2013. Table 5 also includes the percentage of owner-occupied housing units for each census tract income level, as well as 2013 aggregate lending data for comparison purposes.

| Table # 5 - Distribution of Home Mortgage Loans by Census Tract Income Level | | | | | | |
|---|---|---|---|---|---|---|
| **Census Tract Income Level** | **% of Total Owner-Occupied Housing Units** | **Aggregate Lending Data 2013** | **Bank 2012** | | **Bank 2013** | |
| | | % of # | # | % | # | % |
| **Low** | 2.6 | 2.3 | 7 | 1.2 | 0 | 0.0 |
| **Moderate** | 11.4 | 10.1 | 16 | 2.8 | 19 | 3.8 |
| **Middle** | 37.7 | 34.9 | 212 | 36.5 | 158 | 31.5 |
| **Upper** | 48.3 | 52.7 | 346 | 59.5 | 325 | 64.7 |
| **NA** | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| **Total** | 100.0 | **100.0** | **581** | **100.0** | **502** | **100.0** |

*Source: 2012 and 2013 HMDA LARs, 2013 aggregate data, and 2010 U.S. Census data.*

The Bank did not originate any home mortgage loans in low-income census tracts in 2013. This performance lags aggregate data for home mortgage loans in low-income census tracts (2.3 percent), and the percentage of owner-occupied housing units (2.6 percent). Furthermore, of the 542 lenders in the AA that originated a HMDA loan in a low-income census tract in 2013, the Bank ranked last with zero percent of the market share. Additionally, the percentage of lending in low-income census tracts for 2012 lags demographic data as illustrated in Table 5.

The Bank originated 19 loans (3.8 percent) in moderate-income census tracts in 2013. This percentage greatly lags aggregate data for loans in moderate-income census tracts (10.1 percent), and the percentage of owner-occupied housing units (11.4 percent). Furthermore, of the 542 lenders in the AA that originated a HMDA loan in a moderate-income census tract in 2013, the Bank ranked 55th with 0.2 percent of the market share. Additionally, the percentage of lending in moderate-income census tracts for 2012 lags demographic data as illustrated in Table 5.

As revealed in Table 5, a significant majority of the Bank's loans were in middle- and upper-income tracts. While the Bank's performance in the middle-income tracts was generally consistent with the aggregate data and the demographics of the AA, the Bank's level of lending in the upper-income tracts exceeded these measures. As noted previously, all of the Bank's branches are in middle- and upper-income geographies.

During YTD 2014, the percentage of the Bank's loans in all census tract income levels was similar to the performance in 2012 and 2013, with most loans originated in the middle- and upper-income census tracts. The Bank originated three loans, or 1.5 percent, in the low-income census tracts and eight loans, or 4.0 percent, in the moderate-income census tracts.

Discussions with Bank management indicated there are several factors contributing to the Bank's poor performance. First, a majority of the LMI census tracts are located within the City of Boston. Management indicated this area is densely populated with limited affordable housing. According to Bank management, the City of Boston's home prices continue to rise, which limits affordable options to rental housing. Second, the LMI areas of the AA have a rental occupancy rate of 56.9 percent, which further shows the lack of available affordable housing and homeownership opportunities in these areas. Additionally, the City of Boston has specific loan programs that target these areas, limiting the Bank's opportunities to lend. Bank management stated it would continue to focus on these specific areas with significant outreach and marketing efforts. Finally, as stated previously, the Bank offers a Neighborhood Plus CRA product which targets LMI areas.

<u>Small Business Lending</u>

The geographic distribution of the Bank's small business lending reflects poor dispersion throughout the AA. Table 6 illustrates the Bank's small business lending activity in 2013 and the composition of businesses by census tract income level.

| *Table # 6 - Distribution of Small Business Loans by Geographic Income Level* | | | | | |
|---|---|---|---|---|---|
| **Geography Income Level** | **AA Businesses** | **Distribution of Small Business Loans Reviewed** | | | |
| | **% of #** | **#** | **%** | **$ (000s)** | **%** |
| Low | 4.2 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 12.1 | 1 | 2.4 | 503 | 2.9 |
| Middle | 35.6 | 12 | 28.6 | 3,259 | 18.6 |
| Upper | 48.1 | 29 | 69.0 | 13,784 | 78.5 |
| **Total** | **100.0** | **42** | **100.0** | **17,546** | **100.0** |

*Source: 2013 D&B data & bank data.*

The Bank originated zero percent of its small business loans in low-income census tracts, and 2.4 percent of its small business loans in moderate-income census tracts. This performance is considered poor when compared to D&B demographic data, which shows 4.2 percent of businesses are located in the low-income census tracts and 12.1 percent of businesses are located in the moderate-income census tracts. Bank management explained the Bank's recent expansion and development of commercial lending as a secondary credit focus and lack of branch presence in LMI areas are the reasons for the poor performance. As stated earlier, small business lending receives less consideration based on loan portfolio composition and management's stated business focus.

## Borrower Characteristics

Overall, the distribution of borrowers reflects, given the demographics of the AA, a reasonable penetration among individuals of different income levels and businesses of different sizes. This conclusion was primarily based on the Bank's distribution of home mortgage loans to LMI individuals and loans to businesses with GARs of $1 million or less. The following sections discuss the Bank's performance by loan type.

### Home Mortgage Lending

The Bank's performance in home mortgage lending to borrowers of different income levels is reasonable. Table 7 presents the Bank's home mortgage lending performance by number of loans in 2012 and 2013. For comparative purposes, Table 7 includes the distribution of families by income level using 2010 U.S. Census data, as well as aggregate lending data for 2013.

| *Table # 7 - Distribution of Home Mortgage Loans by Borrower Income Level* | | | | | | |
|---|---|---|---|---|---|---|
| **Borrower Income Level** | **% of Total Families** | **Aggregate Lending Data 2013** | **Bank 2012** | | **Bank 2013** | |
| | | % of # | **#** | **%** | **#** | **%** |
| **Low** | 20.8 | 4.1 | 18 | 3.1 | 13 | 2.6 |
| **Moderate** | 15.3 | 13.4 | 70 | 12.0 | 53 | 10.6 |
| **Middle** | 19.2 | 21.5 | 125 | 21.5 | 84 | 16.7 |
| **Upper** | 44.7 | 48.7 | 320 | 55.1 | 279 | 55.6 |
| **NA** | 0.0 | 12.3 | 48 | 8.3 | 73 | 14.5 |
| **Total** | **100.0** | **100.0** | **581** | **100.0** | **502** | **100.0** |

*Source: 2012 and 2013 HMDA LARs, 2013 aggregate data, and 2010 U.S. Census data.*

In 2013, the Bank originated 2.6 percent of its HMDA loans to borrowers designated as low-income. This figure was somewhat lower than the aggregate lending level of 4.1 percent. While the percentage of low-income families is much higher at 20.8 percent, this is not an accurate representation of the opportunity to make home mortgage loans to these families. Area demographic data indicates many of these families do not have incomes that could qualify for a mortgage loan. Specifically, 30.9 percent of low-income families have incomes below the poverty level. Furthermore, of the 542 lenders in the AA that originated a HMDA loan to a low-income borrower in 2013, the Bank ranked 31st with a 0.4 percent of the market share.

The Bank originated 10.6 percent of its HMDA loans to moderate-income borrowers in 2013. This figure is also lower than the aggregate lending level of 13.4 percent and the percentage of moderate-income families at 15.3 percent. Furthermore, of the 542 lenders in the AA that originated a HMDA loan to a moderate-income borrower in 2013, the Bank ranked 38th with 0.5 percent of the market share.

For YTD 2014, the Bank's distribution of loans by borrower income was comparable to 2012 and 2013, as middle- and upper-income borrowers accounted for the majority of home mortgage loans. The Bank originated 6 loans, or 3.0 percent, to low-income borrowers and 20 loans, or 10.1 percent, to moderate-income borrowers.

Performance context factors help explain why the Bank's performance is somewhat lower than the aggregate lending level and demographics. First, approximately 40.0 percent of the AA's LMI families reside in the LMI census tracts. As mentioned previously, the Bank has no branches in the LMI areas, which makes it difficult for the Bank to penetrate these markets and its LMI borrowers, particularly given the high level of competition in the AA. Second, the LMI areas have a high percentage of occupied rental units, which lessens homeownership opportunities in those areas, which, in turn, reduces loan demand from the many LMI families residing in those tracts. In fact, approximately 70.1 percent and 50.8 percent of the housing units in the low- and moderate -income census tracts, respectively, are occupied rental units. Furthermore, 54.3 percent of the renters in the LMI areas have rent costs more than 30 percent of their income, which makes it difficult for LMI families to build the funds needed for homeownership, including the down payment. In addition, Bank management indicated that the existing affordable housing stock is older and requires renovations, which also affects the ability of LMI borrowers to afford a mortgage loan given the additional renovation costs. Bank management indicated that while LMI borrowers are being priced out of the market, the Bank would continue to actively pursue these borrowers through extensive outreach and marketing. As stated previously, Bank management indicated that offering the Neighborhood Plus CRA loan product with flexible underwriting and lower cost of funds will continue to make home mortgage loans more accessible to LMI borrowers.

Small Business Lending

The distribution of the Bank's small business loan by GAR level is reasonable. Table 8 illustrates the Bank's small business loans in 2013 and the AA business composition by GARs.

| Table # 8 - Distribution of Small Business Loans by Gross Annual Revenues | | | | | |
|---|---|---|---|---|---|
| Gross Annual Revenues | All AA Businesses | Distribution of Small Business Loans Reviewed | | | |
| | % of # | # | % | $ (000s) | % |
| ≤$1,000,000 | 72.3 | 19 | 63.3 | 7,829 | 58.0 |
| >$1,000,000 | 5.3 | 11 | 36.7 | 5,669 | 42.0 |
| **Sub-Total** | **77.6** | **30** | **100.0** | **13,498** | **100.0** |
| Revenues Not Reported | 22.4 | | | | |
| **Total** | **100.0** | **30** | **100.0** | **13,498** | **100.0** |

*Source: 2013 D&B data & bank data.*

In 2013, the Bank originated 63.3 percent of its small business loans to businesses with GARs of $1 million or less. While less than business demographics, the performance is reasonable considering the Bank is beginning to pursue commercial loans as a secondary credit focus and is working on developing business loan products and expanding relationships in the AA. As stated earlier, small business lending receives less consideration based on loan portfolio composition and management's stated business focus.

## Response to CRA Complaints

The Bank did not receive any CRA-related complaints during the evaluation period. The Bank maintains procedures to handle all incoming complaints, including those related to its CRA performance.

## COMMUNITY DEVELOPMENT TEST

The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its AA through qualified community development loans, investments, and services as appropriate, considering the institution's capacity and the need and availability of such opportunities in the AA.

## Qualified Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's AA or a broader statewide or regional area that includes the bank's AA.

The Bank originated 13 community development loans totaling approximately $6.8 million since the previous evaluation dated June 20, 2011, including 2 loans totaling $497,000 in 2011, 5 loans totaling $3.6 million in 2012, 3 loans totaling $1.3 million in 2013, and 3 loans totaling $1.4 million in 2014. Ten loans totaling $6.1 million supported affordable housing, while the remaining 3 loans totaling $670,000 funded community service organizations. These loans represent 0.7 percent of the Bank's total loans and 0.5 percent of the Bank's total assets. Highlighted below is a representative sample of the Bank's community development loans.

- In September 2011, the Bank originated a working line of credit to a non-profit organization in Weymouth, Massachusetts. The total amount considered as community development is $250,000. The purpose was to create affordable housing for low-income households.

- In October 2012, the Bank originated a $2.9 million loan for the construction of a 207 unit mixed-income affordable rental housing complex located in a moderate-income census tract in Mattapan, Massachusetts.

- In November 2012, the Bank originated an affordable housing construction loan totaling $67,000 to rehabilitate abandoned properties in the AA under the Neighborhood Stabilization Program.

- In December 2012, the Bank originated a $2.8 million loan in connection with the City of Boston's Affordable Housing Restrictive Covenants. Based on CRA guidance, a pro rata share of the loan amount qualified as community development. The portion of this loan that directly provided affordable housing for LMI individuals totaled $224,000.

- In March 2013, the Bank originated a loan for affordable rental housing in a low-income census tract in Taunton, Massachusetts. The loan amount totaled $850,000. Although the project is located outside the Bank's AA, the evaluation included the loan as a community development loan since the Bank has been responsive to the community development needs of its AA.

- In July 2013, the Bank originated a loan of approximately $1.1 million to finance the construction of ten residential units of which two are for affordable housing. The portion of the loan that directly provided affordable housing for LMI individuals totaled $220,000.

- Throughout 2013 and 2014, the Bank originated four loans that fall under the Commonwealth of Massachusetts 40B program, which supports affordable housing developments.

**<u>Qualified Community Development Investments</u>**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

The Bank's qualified investments and donations totaled approximately $16.1 million. This includes approximately $8.0 million in new equity investments, approximately $7.6 million (book value) in existing investments, and approximately $461,000 in qualified donations made by the Bank and its Foundation. The previous CRA evaluation noted $11.1 million in overall qualified community development investments. The Bank's current evaluation represents an increase of 31 percent from the prior examination. This increase is primarily due to a new equity investment issued by the Massachusetts Housing Finance Agency and the consideration of the Foundation's donations, which were not included in the previous CRA evaluation. Highlighted below are the Bank's qualified investments.

**Prior Period Equity Investments**

*Mutual Funds*

In 2005 and in 2010, the Bank invested in two mutual funds: the CRA-Qualified Investment Fund and the Access Capital Community Investment Fund. Both are invested in community development related securities that support the Bank's AA. The two mutual funds are detailed below:

- In July 2005, the Bank invested $2.1 million in the CRA-Qualified Investment Fund (the Fund). The Fund is a mutual fund whose investment strategy is to invest in debt securities that qualify as community development. Such securities include single-family, multi-family, and economic development loans. The Fund also invests in taxable municipal bonds whose primary purpose is community development. The current book value of this investment is $2 million as of November 30, 2014.

- In March 2010, the Bank invested $3.5 million in the Access Capital Community Investment Fund, a mutual fund that supports government guaranteed loans and asset backed securities, particularly mortgage backed securities; small business loans; taxable municipal securities; and other instruments that support affordable housing and economic development, particularly serving LMI individuals and communities. As of November 30, 2014, the current book value of the investment is $3.5 million.

*Direct Holding Bank CRA Mortgage Securities*

Beginning in 2007, the Bank invested $4.5 million in FNMA mortgage-backed securities collateralized by loans extended to low- and moderate-income borrowers within the Bank's AA. The current book value of the investment is approximately $1.0 million as of November 30, 2014.

*Boston Community Loan Fund (BCLF)*

In November 2002, the Bank invested $1 million in the Boston Community Loan Fund (BCLF). BCLF provides financing to organizations that create affordable housing and provide community services for low-income people and communities. Specifically, the financing helps support the renovation and creation of affordable rental and home ownership units for LMI individuals and families. Additionally, the financing supports schools, housing, and commercial real estate in distressed communities. The Bank's investment provides capital for BCLF to finance low-income communities in the AA. The BCLF is a ten year commitment with annual extensions until 2021. As of November 30, 2014, the book value of the investment is $1 million.

**New Investments**

*JP Morgan Tax-Exempt Pass Through Trust*

In September 2012, the Bank invested in the JP Morgan Tax-Exempt Pass Through Trust. This trust is collateralized by mortgage revenue bonds issued by Massachusetts Housing Finance Agency (MHFA), which in turn are backed by FNMA guaranteed securitized loans made by the Agency to qualified LMI persons to buy and/or improve owner-occupied homes. The tax-exempt status is due to the fact the financing benefits MHFA and its mission to assist LMI borrowers with homeownership. The investment is the Bank's largest investment and benefits the Bank's AA and a broader statewide regional area. As of November 30, 2014, the current market value of the investment is approximately $8 million.

**Donations**

Total qualified investments for this evaluation period included donations to organizations that provide affordable housing, community services to LMI individuals, promote economic development, and revitalize and stabilize neighborhoods under the Neighborhood Stabilization Program.

During the evaluation period, the Bank's overall donations totaled $505,960, of which $460,695 were qualified community development donations. This amount represents an 84 percent increase over the prior evaluation period when the Bank made qualified donations totaling $72,693. The significant increase in donations is primarily due to the consideration of the Foundation's donations in this current evaluation. The Bank established the Foundation in 1999 to provide additional financial support to the local community. The prior CRA evaluation did not evaluate or consider these donations.

During the evaluation period, the Bank provided 147 qualified donations totaling $159,910 and the Foundation provided an additional 44 qualified donations totaling $300,785. The donations ranged from 0.76 percent to 1.16 percent of pre-tax net operating income (NOI) during the evaluation period. Table 9 summarizes the donations by source and year.

***Table # 9 - Community Development Donations by Source***

| | **2011*** | **2012** | **2013** | **2014**** | **Total** |
|---|---|---|---|---|---|
| Dedham Institution for Savings | $500 | $27,090 | $69,685 | $62,635 | $159,910 |
| Foundation | $60,300 | $85,000 | $79,485 | $76,000 | $300,785 |
| Total Qualified Donations | $60,800 | $112,090 | $149,170 | $138,635 | $460,695 |
| Pre-Tax NOI*** | $8,052,000 | $11,005,000 | $12,852,000 | $12,852,000 | $45,461,000 |
| Donations/Pre-Tax NOI | 0.76% | 1.02% | 1.16% | 1.08% | 1.01% |

*Source: Bank data.*
**2011 donations from June 20, 2011, to December 31, 2011*
***2014 donations from January 1, 2014, to November 30, 2014*
**** Pre-Tax NOI as stated on the Uniform Bank Performance Report*

The Bank's donations have funded a variety of community development purposes. However, the substantial majority of the grants have funded organizations that provide community services primarily to LMI persons. Table 10 summarizes the donations by community development category and year.

| Table # 10 - Community Development Donations | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Activity Year | Qualifying Category | | | | | | | | | | Totals | |
| | Affordable Housing | | Community Services* | | Economic Development | | Revitalization or Stabilization** | | Neighborhood Stabilization Projects | | | |
| | # | $ | # | $ | # | $ | # | $ | # | $ | # | $ |
| 6/20/2011– 12/31/2011 | 1 | 8,500 | 11 | 48,500 | 1 | 3,800 | 0 | 0 | 0 | 0 | 13 | 60,800 |
| 2012 | 2 | 5,500 | 29 | 98,590 | 0 | 0 | 4 | 8,000 | 0 | 0 | 35 | 112,090 |
| 2013 | 2 | 3,500 | 65 | 142,670 | 2 | 2,500 | 1 | 500 | 0 | 0 | 70 | 149,170 |
| 1/1/2014 – 11/30/2014 | 3 | 1,500 | 65 | 125,010 | 2 | 6,000 | 2 | 5,500 | 1 | 625 | 73 | 138,635 |
| **Total** | **8** | **19,000** | **170** | **414,770** | **5** | **12,300** | **7** | **14,000** | **1** | **625** | **191** | **460,695** |

*Source: Bank data; *Targeted to LMI individuals; ** In LMI, disaster, distressed, or underserved geographies*

Examples of benefiting organizations include:

- NeighborWorks of Southern Massachusetts – This non-profit organization's mission is to provide safe and affordable housing. NeighborWorks develops and manages affordable housing, provides education, and assists homeowners and first time homebuyers with the repair and maintenance of their properties. The donation benefited the Bank's AA.

- Dedham Housing Authority – Dedham Housing Authority provides housing assistance to low-income residents through programs such as Low Rent Public Housing. The programs are income based and the eligibility guidelines are set by the Department of Housing and Community Development (DHCD) and the Department of Housing and Urban Development (HUD). The donation benefited a portion of the Bank's AA.

- Dedham Food Pantry – This organization serves families with children, the disabled, and senior citizens who reside in the Dedham community and may have fallen into hard times. The Dedham Food Pantry operates through donations received and through volunteers who have dedicated their time and resources. This donation serves a portion of the Bank's AA.

- Needham Community Farm – This organization provides fresh produce to the Needham Community Council Food Pantry, which serves over 200 low-income Needham families each month.

- Nuestra Communidad – This organization is devoted to revitalizing and stabilizing Roxbury and other underserved populations in greater Boston through community housing projects, first time homebuyer education, small business development, and advocacy services to LMI individuals and families.

- South Shore Habitat for Humanity – This organization builds and rehabilitates simple, low-cost homes by forming partnerships with low-income families in need of decent and affordable housing. Using volunteer labor along with donations of money, materials, and land, Habitat for Humanity constructs and rehabilitates houses all across Massachusetts. Qualified families receive the home with no down payment and pay an interest-free mortgage to the organization. Habitat for Humanity also provides low-income families with homeowner education and financial management classes. The donation benefited the Bank's AA.

## Qualified Community Development Services

Qualified community development services include a service that has community development as its primary purpose and is related to the provision of financial services. In addition, the service may not have been considered in the evaluation of the Bank's retail banking services.

Throughout each year reviewed, the Bank's community development service activities increased. From June 20, 2011 through December 31, 2011, the Bank participated in 11 community development service activities. In 2012, there were 17 community development services and in 2013, there were 24 community development services performed. Lastly, from January 1, 2014 through November 30, 2014, the Bank was involved in 30 community development services, the highest amount of services performed in all years.

All of the services meet the definition of community development, relate to the provision of financial services as required by the CRA regulation, and are responsive to the Bank's AA community development needs.

*Bank Employee Involvement*

During the evaluation period, the Bank's directors, officers, and employees were involved in 82 community development service activities for organizations that provide affordable housing and community development services to LMI individuals and families. Listed below is a representative sample of the involvement:

- The Charles River Center – This non-profit human service agency in Needham provides employment and job training, housing, therapeutic day programs, and recreational programs for children and adults with intellectual and other developmental disabilities. The majority of the individuals benefitting from the organization's services are LMI. The organization benefits the Bank's AA. The Bank's president is on the organization's Board of Directors.

- South Shore Habitat for Humanity – This non-profit organization assists low-income individuals and families with financing and building affordable homes in Southeastern Massachusetts. The organization also provides low-income individuals homeownership counseling and financial management education. The organization benefits the Bank's AA. An executive vice president serves as the organization's president and is a member of the Board of Directors.

- NeighborWorks Southern Massachusetts (formerly Neighborhood Housing Services of the South Shore) – The organization's mission is to create affordable housing opportunities by providing education and government assistance to first-time homebuyers. This organization benefits the Bank's AA. A Bank officer serves on the Board of Directors.

- Brockton Housing Partnership – Brockton Housing Partnership is committed to enhancing the quality of life for LMI individuals by providing safe and affordable housing, while helping families move forward toward economic and social independence. The Brockton Housing Partnership also sponsors the yearly Brockton Credit for Life Fair. The Bank participates in the Credit for Life Fair annually. A Bank officer is a member of the organization's Board of Directors.

- Randolph Banking Collaborative – This organization is a collaboration of a group of local community banks that provide financial literacy training to young adults, educating them about credit and basic banking information, as well as to potential homebuyers, educating them about the mortgage application process and credit care. The majority of the audience in these educational sessions consists of LMI individuals. A Bank officer provides financial expertise at the organization's local seminars. The Bank also sponsored several educational seminars for the organization.

- South Eastern Economic Development Corporation (SEED) – SEED focuses on job creation by financing all types of small businesses in Massachusetts and Rhode Island. The organization makes loans ranging from a $1,000 micro loan to a $5.5 million SBA 504 loan. SEED also administers a small business technical assistance program. A Bank vice president serves on the Board of Directors and is a member of the Nominating Committee.

- Health and Social Services Consortium, Inc. (HESSCO) – HESSCO is a non-profit organization primarily assisting and serving low-income elders and individuals with disabilities throughout the Bank's AA. The organization provides home care aid and nutrition and money management services. A branch manager is a member of the organization's Board of Directors. In addition, a branch manager is a member of the organization's Contract Review Committee, which reviews all contracts for services to the organization.

- Community Visiting Nurse Association of Attleboro/Community Health Systems – This organization provides home health care services and operates two adult day health centers in Norwood and Mansfield. This organization serves a community development purpose, as the majority of the organization's service recipients are considered LMI. Specifically, a majority of the organization's clients qualify for either Medicare or Medicaid, or qualify as low-income according to the Massachusetts Department of Mental Health guidelines. The Bank's chief operating officer serves as a Board member and treasurer.

- Boston Center for Blind Children – This organization provides financial grants to 502(c)(3) organizations that provide care, treatment, and services to blind, visually impaired, or otherwise disabled children, as well as other children and families in need. A Bank vice president is a member of the Board of Directors.

*Educational Seminars*

Bank officers and employees have participated in various seminars and other events sponsored by the Bank during the evaluation period. These events provided opportunities for Bank representatives to provide financial education to attendees, inform attendees of the products and services offered by the Bank, and gain information about unmet credit needs in the AA. The following is a sample of seminars and events performed by the Bank.

- The Bank sponsored, co-sponsored, and participated in numerous first-time homebuyer seminars and workshops in the AA. These seminars have been held independently or in collaboration with organizations that include: Brockton Housing Partnership, Neighborhood Housing Services of South Shore, and the Randolph Banking Collaborative. Topics of the sessions included credit and preparing a budget, the mortgage process, bank financing, working with a real estate agent, home inspection, homeowner's insurance, purchase and sales, and closing costs. The seminars received CRA consideration since the majority of attendees at these seminars were LMI individuals or the seminars were conducted in LMI areas.

- In 2013 and 2014, Bank officers and employees participated in the Credit for Life Fair in Brockton. This program is a financial education opportunity for high school students to learn the basics of personal finance. Students participate in an interactive fair where they are given a "salary" and must visit vendors to decide what lifestyle choices their budget allows. The Bank participated in two Credit for Life Fairs at Brockton High School during the evaluation period. The fairs receive CRA consideration since they were conducted at Brockton schools where 70 percent of the students qualify for free or reduced-cost school lunches.

- The Bank participates in the Money Smart program. Money Smart is an FDIC Financial Education Program. Consumers, bankers, and community service providers can use free Money Smart tools to teach or learn about basic financial topics. Bank employees attended the Money Smart "Train-the-Trainer" program. The "Train-the-Trainer" program is designed to provide training to those who deliver the Money Smart program to students and consumers. During the evaluation period, Bank employees provided the Money Smart program throughout the Bank's AA. The programs were held in Brockton, where the majority of the participants were LMI individuals.

**<u>Branch (including other facilities if applicable) and Services Distribution</u>**

The Bank does not have any branch presence in LMI census tracts. Despite the lack of branch presence in LMI areas, the Bank's services are readily accessible to all segments of the AA.

The Bank has 12 full-service facilities, including its main office, within its AA. Three are within the middle-income areas and nine are within the upper-income areas. In addition, the Bank has 15 ATMs similarly positioned at its facilities.

The Bank is a member of SUM®, an alliance of many community banks that have agreed not to assess ATM surcharge fees to any of the other member banks' customers. This service is of particular benefit to LMI consumers.

## FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The evaluation identified no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the community credit needs of the AA.

## APPENDIX A

***Massachusetts Division of Banks Fair Lending Policies and Procedures Review***

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Included in the Bank's loan policy are the Bank's efforts to eliminate discrimination. The Bank provides fair lending training to all lending personnel as well as the Board at least annually. Management develops training programs that cover all aspects of the lending process.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

## MINORITY APPLICATION FLOW

According to the 2010 U.S. Census data, in 2014 the Bank's AA contained a total population of 1,601,648 individuals of which 31.9 percent are minorities. The AA's racial and ethnic minority population is 7.5 percent Asian, 7.8 percent Hispanic or Latino, 12.6 percent Black/African American, 0.1 percent American Indian, and 3.9 percent other race.

For 2013 and YTD 2014, the Bank received 900 HMDA-reportable loan applications within its AA. Of these applications, 59 or 6.6 percent were received from racial minority applicants, of which 43 or 72.9 percent resulted in originations. Of the remaining 16 applications not originated, 11 were denied and 5 were withdrawn applications. For the same period, the Bank also received 16 applications from ethnic groups of Hispanic origin within its AA, of which 12 or 75.0 percent resulted in originations. Of the remaining four applications not originated, one was approved/not accepted, one was declined, and two were withdrawn.

The Bank's level of lending was compared with the aggregate lending performance level for 2013, the most recent year for which data was available. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

| *MINORITY APPLICATION FLOW* | | | | | |
|---|---|---|---|---|---|
| **RACE** | ***2013 Bank*** | | ***2013 Aggregate Data*** | ***YTD 2014 Bank*** | |
| | **#** | **%** | **% of #** | **#** | **%** |
| American Indian/ Alaska Native | 1 | 0.2 | 0.1 | 0 | 0.0 |
| Asian | 18 | 2.9 | 7.5 | 8 | 2.9 |
| Black/ African American | 17 | 2.7 | 4.9 | 6 | 2.2 |
| Hawaiian/Pac Isl. | 0 | 0.0 | 0.1 | 0 | 0.0 |
| 2 or more Minority | 0 | 0.0 | 0.1 | 0 | 0.0 |
| Joint Race (White/Minority) | 9 | 1.4 | 1.5 | 0 | 0.0 |
| **Total Minority** | **45** | **7.2** | **14.2** | **14** | **5.1** |
| White | 459 | 73.2 | 61.9 | 195 | 71.4 |
| Race Not Available | 123 | 19.6 | 23.9 | 64 | 23.5 |
| **Total** | **627** | **100.0** | **100.0** | **273** | **100.0** |
| **ETHNICITY** | | | | | |
| Hispanic or Latino | 4 | 0.6 | 2.2 | 3 | 1.1 |
| Not Hispanic or Latino | 479 | 76.4 | 73.4 | 196 | 71.8 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 6 | 1.0 | 0.9 | 3 | 1.1 |
| Ethnicity Not Available | 138 | 22.0 | 23.5 | 71 | 26.0 |
| **Total** | **627** | **100.0** | **100.0** | **273** | **100.0** |

*Source: 2010 U.S. Census data, 2013 & 2014 HMDA data, and 2013 aggregate data.*

The Bank's performance was less than the 2013 aggregate performance level for minority applicants. In 2013, the Bank received 7.2 percent of its applications from minority applicants, while the aggregate was higher at 14.2 percent. In 2013, the Bank received 1.6 percent of its applications where at least one of the applicants was Hispanic or Latino, while the aggregate was at 3.1 percent.

In terms of application outcome, in 2013 the Bank originated seven or 1.4 percent of applications from ethnic minorities, while the aggregate originated 2.6 percent of applications received from ethnic minorities.

Year-to-date 2014 applications for racial minority groups have decreased. However, the trend in applications for the ethnic minority groups increased. Overall, the Bank's minority application flow, when compared to the aggregate's lending performance levels and to the AA demographics, is considered reasonable.

# APPENDIX B
*Glossary*

**Affordable Housing:** In general, housing for which the occupant pays no more than 30 percent of his income for gross housing costs, including utilities. Some jurisdictions may define affordable housing based on other, locally determined criteria; therefore, this definition serves solely as an approximate guideline or general rule of thumb.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features in some instances; they always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** Two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA.

**Community Development:** For loans, investments, and services to qualify for consideration as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that (1) has as its primary purpose community development; and (2) except in the case of a wholesale or limited purpose bank: (i) has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and (ii) benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

**Community Development Service:** A service that (1) has as its primary purpose community development; (2) is related to the provision of financial services; and (3) has not been considered in the evaluation of the bank's retail banking services under §345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**D&B:** A provider of business information in the United States and worldwide.

**Distressed Middle-Income Non-metropolitan Geographies**: A non-metropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average; (2) a poverty rate of 20 percent or more; or, (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the five-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Adjusted Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and re-financings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts; one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSAs associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Other Products:** Includes any unreported optional loan category for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures, which are sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances; as a result, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments, which often give them partial ownership of those businesses, in the hope of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Non-metropolitan Geographies:** A non-metropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

1) Make its most current CRA performance evaluation available to the public;

2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;

3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

   "You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 55 Elm Street, Dedham, Massachusetts 02026."

4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.